

## Notes to Financial Statements

---

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES:

**A. Background, mission and concentration of credit risk:** The Rural Telephone Bank (RTB), established in May 1971, provides a supplemental source of financing under the Rural Utilities Service's telephone loan program. The Rural Utilities Service (RUS) is a credit agency within the U.S. Department of Agriculture (USDA) which assists rural electric and telephone organizations in obtaining the financing required to provide electric and telephone service in rural areas. RTB lends principally to rural telephone organizations.

RTB is a government corporation which functions as an agency of the U.S. Department of Agriculture, subject to the supervision and direction of the Secretary of Agriculture. As provided by law, the Administrator of RUS serves as the Governor of RTB. In this capacity, the Governor may exercise and perform all of RTB's functions, powers, and duties, except for matters specifically reserved for its Board of Directors. As discussed below, upon retirement of the Class A stock held by the U.S. Government, the RTB would no longer operate as an integral agency of the Government.

Adverse changes in the telephone industries could have a direct and material impact on the financial capacity of RTB borrowers to provide for the repayment of loans.

**B. Basis of accounting:** Aided by studies and recommendations from the Financial Accounting Standards Advisory Board (FASAB), the Director of OMB and the Comptroller General published specific standards which constitute generally accepted accounting principles for the Federal Government and its component entities. This comprehensive set of accounting principals and standards must be followed by Federal entities. For those transactions deemed not addressed by FASAB pronouncements, accounting principles and standards published by authoritative standard-setting bodies and other authoritative sources shall be considered, depending upon their relevance in a particular set of circumstances.

Post-Credit Reform nonfederal transactions are recorded on a cash accounting basis, except for the accrual of interest related to borrowers loans; Federal and Pre-Credit Reform transactions are recorded on an accrual accounting basis. Under the cash method, revenues are recognized when cash is received and expenses are recognized when they are paid. Budgetary accounting is also necessary to facilitate compliance with legal constraints and controls over the use of Federal funds.

All significant interfund and intrafund balances and transactions have been eliminated in the consolidation.

**C. The Federal Credit Reform Act of 1990:** The Federal Credit Reform Act of 1990 (Credit Reform) and OMB established procedures for federal agencies and departments to measure and record, for budgetary and financial accounting purposes, the costs of federal credit programs.

For loans authorized after September 30, 1991, Credit Reform required appropriations be provided to agencies to cover the costs of loan programs. These costs are classified as 1) interest costs - for loans issued at interest rates below the average U.S. Treasury borrowing rates, 2) default costs - for unrecoverable principal balances, and 3) administrative costs - for salaries and overhead. Since the interest costs and the default costs, known as subsidy costs, will be incurred gradually over the life of the loans, these appropriations represent the net present value of these costs.

## Notes to Financial Statements (Continued)

---

These appropriations are expensed as loan funds are issued with Treasury borrowings providing the remaining funds necessary for loan advances. The appropriations are recorded in the allowance for subsidy account and represent the net present value of the subsidy costs for outstanding loans. Re-estimates are performed annually to reevaluate the reasonableness of the assumptions used in determining the net present value of these costs, with additional appropriations being provided as necessary. Loans receivable authorized after September 30, 1991 are stated net of the allowance for subsidy costs.

**D. Credit Program Receivables, Net:** Loans are accounted for as receivables after funds are disbursed. Loans receivable are carried at the principal amount outstanding, net of an allowance for estimated uncollectible amounts for prefiscal year 1992 loans. For direct loans obligated on or after October 1, 1991, RTB recognizes these assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance (**Note 3**). All loans receivable are due from non-federal borrowers and accrue interest daily based on the contractual interest rate.

RTB's allowance is estimated based on delinquency rates, current economic conditions, borrowers' credit histories, borrowers' outstanding balances, and an analysis of each borrower's financial condition.

The projected cost of direct loan defaults (for loans obligated prior to October 1, 1991) will not necessarily reflect USDA RTB's future appropriation requests. To the extent that fund revenues are not sufficient to fund future costs, financing will have to be obtained from future appropriations, or other congressionally approved sources.

**E. Fund balances with U.S. Treasury:** It is the policy of RTB not to maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. Funds with the U.S. Treasury are appropriated and revolving funds which are available to pay current liabilities and finance authorized loan commitments.

RTB earns interest on all cash balances maintained at U.S. Treasury in accordance with the 1973 note executed by RTB and U.S. Treasury, Section 505 (c) of the Federal Credit Reform Act of 1990 and recent Appropriations Bills (Public Laws 104-180 and 105-86).

**F. Federal liabilities:** As required under Credit Reform, an agreement (note) was executed with the U.S. Treasury which provides funds for loans approved after September 30, 1991. The interest rate charged to RTB is the average annual U.S. Treasury rate, as provided by OMB.

**G. Stock conversion:** In accordance with its authorizing legislation and amendments, RTB will be converted to independent status at such time when 51 percent of the Class A stock issued to the U.S. Government (and outstanding at any time since September 30, 1985) has been fully redeemed and retired. When such conversion occurs, RTB will no longer be an agency of the USDA and the President will cease to appoint Board members. However, after the conversion, Congress may still continue its oversight responsibilities for RTB's operations.

**H. Operations:** The Rural Electrification Act of 1936, as amended, and RTB's enabling legislation, authorize RTB to partially or jointly use the facilities and services of employees of RUS, or of any other agency of the USDA, without cost. Under Credit Reform, \$3 million of appropriated funds provided to RTB to cover administrative costs was transferred to RUS. This amount represents the additional cost to RUS for managing RTB. In this regard, RTB's operations are conducted by RUS administrative and program employees who have similar responsibilities under RUS's rural telephone loan program. The prorated Pension, FECA, and Unfunded leave costs, of \$448,988, \$9,019, and (\$21,218) respectively, which are associated with the RTB program, and included in the operating costs of RUS/RD, are not included in the reported cost of the RTB operations.

## Notes to Financial Statements (Continued)

---

### NOTE 2. FUND BALANCES WITH TREASURY:

*Amounts are presented in thousands of dollars.*

| <i>Assets for use by Entity:</i> | September 30,<br><u>1998</u> |
|----------------------------------|------------------------------|
| Revolving Funds                  | \$ 571,361                   |
| Appropriated Funds               | <u>15,898</u>                |
| Total                            | \$ <u>587,259</u>            |

### NOTE 3. CREDIT PROGRAM RECEIVABLES, NET

*Amounts are presented in thousands of dollars.*

#### **Accounting Policy - Present Value (PV) Disclosure:**

Direct loan obligations made prior to FY 1992 are reported on a net realizable value. Direct loan obligations made after FY 1991 are governed by the Federal Credit Reform Act. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans be recognized as a cost in the year the loan is made. The net present value of loans receivable at any point in time is the amount of the gross loan receivable less the present value of the subsidy at that time.

*Loans Subject to Credit Reform:*

#### **Summary Schedule:**

|                            | September 30,<br><u>1998</u> |
|----------------------------|------------------------------|
| Loans Receivable, Gross    | \$ 1,368,185                 |
| Interest Receivable, Gross | 3,395                        |
| Less: Related Allowance    | <u>(9,092)</u>               |
| Program Receivable Net     | \$ <u>1,362,488</u>          |

This summary schedule is calculated from the detail amounts shown in the following sections.

#### **Direct Loans Obligated Prior to FY 1992:**

|   | September 30,<br><u>1998</u> |
|---|------------------------------|
| Loans Receivable, Gross                             | \$1,171,290                  |
| Interest Receivable, Gross                          | 3,311                        |
| Less: Allowance for Credit Program Receivables (RV) | <u>(8,102)</u>               |
| Credit Program Receivables (NRV)                    | \$ <u>1,166,499</u>          |

#### **Direct Loans Obligated After FY 1991:**

|                                       | September 30,<br><u>1998</u> |
|---------------------------------------|------------------------------|
| Loans Receivable, Gross               | \$ 196,895                   |
| Interest Receivable, Gross            | 84                           |
| Less: Allowance for Subsidy Cost (PV) | <u>(990)</u>                 |
| Credit Program Receivables (NPV)      | \$ <u>195,989</u>            |

## Notes to Financial Statements (Continued)

-----

### Subsidy Expense for Post-1991 Loans and Credit Receivables:

|                                     | September 30,<br>1998 |
|-------------------------------------|-----------------------|
| <u>Current Year's Direct Loans</u>  |                       |
| Interest Differential               | \$ 455                |
| Defaults                            | <u>7</u>              |
| Total Current Year's                |                       |
| Direct Loans Subsidy Expense        | 462                   |
| Fiscal Year Direct Loan Reestimates | <u>(13,964)</u>       |
| Total Direct Loan Subsidy Expenses  | \$ <u>(13,502)</u>    |

**The percentage rate used to breakout the four components of subsidy is based on the rate in effect during FY 1998. Appropriated funds, totaling \$3 million, provided to RTB to cover administrative costs were transferred to RUS.**

### NOTE 4: DEBT

*Amounts are presented in thousands of dollars.*

|  | September 30,<br>1998 |
|--|-----------------------|
| <u>Federal Debt</u>                    |                       |
| Interest Bearing: Debt to the Treasury |                       |
| Beginning Balance                      | \$ 477,406            |
| Net Borrowing                          | <u>(45,177)</u>       |
| Ending Balance                         | \$ <u>432,229</u>     |

Legislation limits outstanding borrowings from the U.S. Treasury to an amount which shall not exceed twenty times RTB's equity. As of September 30, 1998, RTB's maximum borrowing authority approximated \$29 billion. All Federal debt is covered by budgetary resources

### NOTE 5: OTHER LIABILITIES

Dividends declared and unpaid on Class C stock to non-federal recipients, approximated \$14.4 million, and are payable on December 15, 1998.

This liability is covered by budgetary resources.

### NOTE 6: COMMITMENTS AND CONTINGENCIES

#### Financial Instruments with Off-Balance Sheet Risk

The Rural Telephone Bank has in the course of its loan making activities, unliquidated loan obligations which, in the absence of contractual violations or cancellations, will require disbursements. Off-balance sheet risks as of September 30, 1998, which is comprised solely of unliquidated loan obligations total approximately \$946.9 million.

As of September 30, 1998, there were no obligations due to canceled appropriations for which there is a contractual commitment for payment.

## Notes to Financial Statements (Continued)

---

### NOTE 7: NET POSITION

*Amounts are presented in thousands of dollars.*

|   | September 30,<br>1998 |
|---|-----------------------|
| <b><u>Unexpended Appropriations</u></b> |                       |
| Unobligated-Available                   | \$ 5,422              |
| Undelivered Orders                      | <u>10,476</u>         |
| Total Unexpended Appropriations         | <u>\$ 15,898</u>      |

RTB does not have any future financing sources.

#### Rural Telephone Bank (RTB) Capital Stock:

A summary of the RTB capital stock structure as of September 30, 1998, follows:

|   | September 30,<br>1998 |
|---|-----------------------|
| CAPITAL STOCK CLASS A (\$1 par value)     |                       |
| Shares authorized                         | 600,000               |
| Shares issued and outstanding             | 528,200               |
| Cash dividends                            | \$ 11,120             |
| CAPITAL STOCK CLASS B (\$1 par value)     |                       |
| Shares authorized                         | Unlimited             |
| Shares issued and outstanding             | 631,446               |
| Stock dividends                           | 67,775                |
| CAPITAL STOCK CLASS C (\$1,000 par value) |                       |
| Shares authorized                         | Unlimited             |
| Shares issued and outstanding             | 210,487               |
| Cash dividends (paid or accrued)          | \$ 14,362             |

Although USDA Rural Development owns all Class A stock on behalf of the United States Government, the cash dividends are paid to the U.S. Treasury. On September 30, 1998, in accordance with Section 406 (c) of the RE Act as amended, the third redemption of Class A stock occurred. In accordance with Bank Board resolution 98-5, \$27.8 million was redeemed.

Class B stock, a voting class of stock, is issued only to borrowers of RTB, in proportion to actual loan advances. RTB requires borrowers to purchase Class B stock in the amount of 5 percent of advanced loan amounts. RTB may not pay cash dividends on Class B stock. Rather, holders of Class B stock are entitled to patronage refunds (paid in the form of Class B stock dividends) equal to the amount of patronage capital in excess of \$10 million. Patronage refunds are allocated based on the ratio of interest revenue to RTB from each holder to RTB's total interest revenue from all Class B stockholders. Subscriptions receivable relating to unadvanced loans approximated \$44 million at September 30, 1998, and are not reflected in the accompanying principal financial statements. Balances include approximately \$67.1 thousand of B stock allocated but not distributed.

Class B stock is nontransferable, except in connection with a transfer of ownership, approved by RTB, of all or part of a RTB loan. A borrower, upon retiring all debt with RTB, may exchange Class B stock for Class C stock. Otherwise, the borrower retains possession of the stock. Class B stock can be redeemed only after all shares of Class A stock, a nonvoting class of stock owned by the U.S. Government, have been redeemed and retired.

## Notes to Financial Statements (Continued)

---

Class C stock, a voting class of stock, is issued only to RTB borrowers, or to corporations and public entities eligible to borrow from RTB under Section 408 of the Rural Electrification Act of 1936, as amended, or by organizations controlled by such borrowers, corporations, and public entities. RTB may pay cash dividends on Class C stock.

### Restricted Capital:

The Omnibus Budget Reconciliation Act of 1987 required the RTB to establish a contingency reserve for interest rate fluctuations. As a result, the RTB Board of Directors amended the Bylaws of RTB regarding the allocation of patronage capital and established a reserve of \$10 million. Any amounts in the reserve for interest rate fluctuations, classified as restricted capital on the Consolidated Statement of Financial Position, in excess of \$10 million will be allocated as Class B stock dividends to those borrowers holding Class B stock during the fiscal year the amounts were earned. At September 30, 1998, restricted capital was approximately \$19.6 million. This includes \$10 million of restricted capital from fiscal year 1997, in addition to approximately \$9.6 million to be distributed as a result of a prior period adjustment (to fiscal year 1997).

### Patronage Capital Earned:

Patronage capital earned consists of all revenues of the RTB for any fiscal year in excess of the amount thereof necessary to:

- Pay expenses of the RTB, including without limitation, payments in lieu of property taxes.
- Pay interest on telephone debentures accruing during the fiscal year.
- Provide reasonable allowances for depreciation, obsolescence, and losses on loans and interest receivable.
- Pay to the holders of Class A stock an amount equal to 2% per annum of the capital furnished to the RTB for such stock.
- Pay to the holders of Class C stock dividends at the rate determined by the Board, provided the following criteria is met:
  - (a) No dividends shall be declared on Class C stock until arrearages, if any, on payments to holders of the cumulative Class A stock have been paid.
  - (b) Until all Class A stock has been retired, the Board shall not declare any dividends on Class C stock at an annual rate in excess of the then current average rate payable on the RTB's telephone debentures.

### Unexpended Appropriations:

Unexpended Appropriations include the undelivered orders and unobligated balances of the program accounts which receive Congressional appropriations through the budgetary process.

As appropriated funds incur obligations, the obligated amount is recorded as an undelivered order. Undelivered orders are reduced by either an expenditure or an obligation cancellation. Appropriated funds which are not obligated are treated as unobligated amounts. At the end of the fiscal year, certain multi-year appropriations which have unobligated balances remain available for obligation in future periods. Unobligated appropriations are returned to the U.S. Treasury when their period of availability expires.

## Notes to Financial Statements (Continued)

---

### Capital Stock Class A:

Public Laws 92-12 and 97-98 authorized Congress, in fiscal years 1971 through 1991, to appropriate no more than \$30 million per year for the purchase of RTB Class A stock. Class A stock has a guaranteed annual dividend of 2 percent of the total funds received. The law provides that Congress annually appropriate funds until such purchases approximate \$600 million. As of September 30, 1998, RTB Class A stock appropriations amounted to approximately \$592.1 million, the total funding USDA Rural Development will receive from Congress. Beginning in 1996, RTB was required to repurchase this stock; however, in accordance with Public Law 105-86, Section 718, the maximum Class A stock that may be retired is 5 percent. According to enabling legislation and amendments, the Bank will be converted to independent status when 51 percent of the Class A stock issued to the United States has been fully redeemed and retired. On September 30, 1998, in accordance with Bank Board resolution 98-5, the third redemption (\$27.8 million) of Class A stock occurred, leaving a balance of \$528.2 million outstanding.

### **NOTE 8: EARNED REVENUES** (Budget Function Code 452)

*Amounts are presented in thousands of dollars.*

|                                | September 30,<br>1998 |
|--------------------------------|-----------------------|
| <u>Federal:</u>                |                       |
| Interest Revenue-Subsidy       | \$ (1,351)            |
| Interest Revenue from Treasury | <u>46,957</u>         |
| Total Federal                  | <u>45,606</u>         |
| <u>Non-Federal:</u>            |                       |
| Interest and Penalties Revenue | <u>98,033</u>         |
| Total Non-Federal              | <u>98,033</u>         |
| Total Earned Revenues          | <u>\$ 143,639</u>     |

### **Other Disclosures**

#### **Credit Reform**

The amount of subsidy expense on post-1991 direct loans equals the present value of estimated cash outflows over the life of the loan less the present value of cash inflows, discounted at the interest rate of marketable Treasury securities with a similar maturity term. A major component of subsidy expense is the interest subsidy cost/interest differential. This is defined as the excess of the amount of direct loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury rate. One of the components of interest subsidy cost/interest differential is interest revenue. This interest revenue is earned from both federal and non-federal sources. For a further discussion of present value, refer to **Note 1C**, and for all of the components of subsidy expense and their respective dollar amounts by entity, refer to **Note 3**.

#### **Exchange Transactions With Non-Federal Sources**

Rural Telephone Bank loans have a statutory rate that is established on an annual basis depending on the Bank's cost of raising capital.

## Notes to Financial Statements (Continued)

---

### Exchange Transactions With Federal Sources

As the discussion in **Note 1A** attests, the history of RTB is one of financial and technical assistance to rural America. RTB serves as a temporary source of supervised credit until borrowers are able to qualify for private sector resources. Although a lender of last resort, RTB is able to recoup all of the costs associated with its loan making. The main reason is the RTB establishes its cost of money on an annual basis in a manner which enables it to recover all costs.

### **NOTE 9: DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION**

#### Prior Period Adjustments:

As the result of a recent review of the fiscal year 1997 Agriculture Appropriation Act, P.L. 104-180, 110 Stat 1598-1599, and consultation with the Office of General Counsel, it has been determined the Bank is entitled to earn interest on all cash balances maintained at Treasury. Therefore, the income of the Bank was understated for fiscal year 1997.

The funds related to the adjustment, for interest earned on liquidating account balances were credited to the Bank by the U.S. Treasury, as of October 1, 1997. The funds are being treated as an adjustment to fiscal year 1997 income.

### **NOTE 10: DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES**

- A. The net amount of budgetary resources obligated for undelivered orders as of September 30, 1998, is approximately \$946.9 million.
- B. The amount of borrowing authority available as of September 30, 1998, is approximately \$775.2 million.
- C. Requirements for repayments of borrowings: Borrowings are repaid on Form SF 1151, Nonexpenditure Transfers, as maturity dates become due. For liquidating accounts, maturity dates are fifty years from the close of the fiscal year the funds were advanced by Treasury, to the Bank. For financing accounts, maturity dates are based on the period of time used in the subsidy calculation, not the contractual term of the agency's loans to borrowers. This period of time used in the subsidy calculation will normally be longer than the contractual term of the agency's loans to borrowers.

Terms of borrowing authority used: In general, borrowings are for periods of up to fifty years depending upon the cohort. Interest rates on borrowings in the liquidating accounts were assigned on the basis of the Treasury rate in effect at the time of the borrowing. Interest rates on borrowings in the financing accounts are assigned on the basis of the Treasury rate in effect at the end of the year of loan disbursement. Since individual loans are typically disbursed over several years, several interest rates may be applicable to an individual loan. A single weighted average interest rate which is adjusted each year, until all the disbursements for the cohort have been made, is maintained.

Prepayments can be made on Treasury borrowings in the liquidating and financing accounts without penalty.



## Notes to Financial Statements (Continued)

---

Financing sources for repayments of borrowings: Included are reestimates and cash flows (i.e., borrower loan principal repayments), appropriations received in liquidating accounts for "cash needs", residual unobligated balances, where applicable, and other Treasury borrowings.

- *Adjustments during the fiscal year (in thousands of dollars) to budgetary resources available at the beginning of the year are as follows:*

|   |                    |
|---|--------------------|
| Actual Recoveries of Prior Year Obligations | \$ 35,825          |
| Cancellations of Expired Accounts           | (8)                |
| Redemption of Debt                          | (77,538)           |
| Other Authority Withdrawn                   | <u>(30,470)</u>    |
| Total Adjustments                           | \$ <u>(72,191)</u> |

Actual recoveries of prior year obligations represent cancellations or downward adjustments of obligations incurred in prior fiscal years that did not result in an outlay. For expired accounts, these recoveries are available for upward adjustments of valid obligations incurred during the unexpired period but not recorded.

**Cancellations of expired accounts represent the amount of appropriation authority which is cancelled five years after the expiration of an annual or a multi-year appropriation.**

Redemption of debt represents the amount of principal repayments paid to the Treasury on outstanding borrowings. It does not include interest payments, which are shown as an obligation and an outlay.

Other authority withdrawn represents the withdrawal of unobligated balances of indefinite budget authority realized in no-year or multiple year accounts through downward adjustments of prior year obligations.

- *Existence, purpose, and availability of permanent indefinite appropriations:* Permanent indefinite appropriations are mainly applicable to liquidating accounts which have the ability to apportion them and for reestimates related to upward adjustments of subsidy in the program accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the Budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but are determined by specified variable factors, such as "cash needs" for the liquidating accounts and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

The period of availability for these appropriations are as follows: Annual authority is available for obligation only during a specified year and expires at the end of that time. Multi-year authority is available for obligation for a specified period of time in excess of one fiscal year. No-year authority remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are achieved.

Annual and multi-year authority expire for the purpose of incurring new obligations. However, the authority is available for adjustments to obligations and for disbursements that were incurred or made during the period prior to expiration, but not recorded. Unless specifically authorized in law, the period that the expired authority is available for adjustments to obligations or for disbursements is five fiscal years (beginning with the first expired year). At the end of the fifth expired year, the authority is "cancelled". Thereafter, the authority is not available for any purpose.

## Notes to Financial Statements (Continued)

-----

- *Legal arrangements affecting the use of unobligated balances of budget authority:* The availability/use of budgetary resources (i.e., unobligated balances) for obligation and expenditure are limited by purpose, amount, and time.

- (a) **Purpose** - Funds may be obligated and expended only for the purposes authorized in appropriations acts or other laws.
- (b) **Amount** - Obligations and expenditures may not exceed the amounts established in law. Amounts available are classified as either definite (i.e., not to exceed a specified amount) or indefinite (i.e., amount is determined by specified variable factors).
- (c) **Time** - The period of time during which budgetary resources may incur new obligations is different from the period of time during which the budgetary resources may be used to disburse funds.

The time limitations on the use of unobligated balances are the same as those previously discussed in the last two paragraphs of the permanent indefinite appropriations footnote disclosure.

Any information about legal arrangements affecting the use of unobligated balances of budget authority will be specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

Contributed capital received during the report period \$20 thousand.

## NOTE 11: DISCLOSURES RELATED TO THE STATEMENT OF FINANCING

*Amounts are presented in thousands of dollars.*

Other resources used to fund items not part of the net cost of operations

|  |                 |
|--|-----------------|
| Prior period adjustments, as discussed in Note 9 | \$ (9,647)      |
| Refunds of borrower overpayments                 | 849             |
| Class C stock dividends payable                  | <u>14,362</u>   |
|  | \$ <u>5,564</u> |

Other net cost components not requiring or generating resources during the reporting period

|   |                 |
|---|-----------------|
| Interest revenue on subsidy reestimates | \$ 3,562        |
| Amortization of subsidy expenses        | <u>(2,211)</u>  |
|   | \$ <u>1,351</u> |